GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2295
ANSWERED ON:14.03.2008
REVIEWING IT DEFINITION
Jogi Shri Ajit;Scindia Shri Jyotiraditya Madhavrao;Singh Shri Prabhunath

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has reviewed / is reviewing the scheme for revising the definition of income-tax;

(b) whether the Government is contemplating to levy tax on the dividend of the companies;

(c) if so, the reasons therefor;

(d) whether the interest on post office deposit schemes and on mutual funds is being exempted from Income Tax; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE: (SHRI S.S. PALANIMAN1CKAM)

(a) There is no definition of `income-tax` under the Income tax Act, 1961 (`Act`). However, clause (43) of section 2 of the Act defines `tax` in relation to the assessment year commencing on the ls` day of April, 1965 and any subsequent assessment year to mean income-tax chargeable under the provisions of the Income tax Act, 1961, and in relation to any other assessment year, income-tax and super-tax chargeable under the provisions of the Act prior to the aforesaid date. This definition was reviewed and Finance Act, 2005 amended the said definition w.e.f. 1.4.2006 to include fringe benefit tax payable under section 115WA of the Act in respect of the assessment year commencing on 1.4.2006 and any subsequent assessment year.

(b) & (c) Under the existing section 115-O of the Income Tax Act, 1961, tax is already levied at the rate of fifteen per cent, on the amount of dividends declared, distributed or paid by a domestic company on or after 1st April, 2003. Vide Finance Bill, 2008, it has been proposed that in the case of a domestic company, the amount of such dividend will be reduced by the amount of dividend received by the domestic company from its subsidiary, subject to the fulfillment of certain specified conditions. Dividend distributed by a domestic company which is subject to Dividend Distribution Tax under section 115-O of the Act is exempt in the hands of the recipient under section 10(34) of the said Act. Levy of tax on dividend in the hands of the recipient is not under consideration.

(d) & (e) Income by way of interest, premium on redemption or other payment on such securities, bonds, annuity certificates, savings certificates and other certificates and deposits, including those of Post Office, as the Central Government may, by notification in the Official Gazette, specify in this behalf, is exempt under section 10(15)
(i) of the Act, subject to the conditions and limits specified in such notification.Under section 10(35) of the Act, exemption is available in respect of any income (other than income arising from the transfer of units) received in respect of the units of
(i) a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992, or regulations made thereunder; or
(ii) such other Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India and subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.